



Building Markham's Future Together
Journey to Excellence

Auditor General

Presentation to General Committee

April 13, 2015



Agenda

1. Legislative Framework
2. Background
3. Considerations
4. Budget
5. Hiring Options
6. Discussion
7. Staff Recommendation



Legislative Framework

- In accordance with the Municipal Act, 2001 (“the Act”), the appointment of an Auditor General is a discretionary decision of Council
- The Auditor General (AG) has the authority to:
 - Have unrestricted access to records/documents
 - Full & free access to staff, the Mayor & Members of Council
 - Set frequencies, subjects & scopes of audit work; &
 - Obtain the necessary assistance of staff



Background

- The City of Markham approved, by Council resolution, the Auditor General's position and scope of services in **October, 2007**.
- The City appointed the Auditor General in **May, 2008**, for a three year contract with the possibility of a one year extension.
- During this time period the Auditor General was responsible for reporting out quarterly to General Committee on her progress, as well as submitting a semi-annual six month audit plan to General Committee.
- The Audit Plan was created by the Auditor General and no deletions or amendments were permitted to be made to the plan except by the Auditor General herself. Council, if desired, could add to the plan by a majority vote.



Background (Cont'd)

Following her appointment the Auditor General presented the Audit Plan to Council in **October, 2008**, which was based on the following:

- The assessed risk ranking, combining all risk factors and prioritizing the higher level risk ranked areas.
- Higher level risks ranked areas that have the potential to impact Council priorities, to have errors, or to have opportunities for improvement that may impact the City significantly.
- A weighting was applied to the risk factors to align with the audit mandate.
- Targeted areas where the Auditor General could add value to the City, and took into account current management actions underway.

Background (Cont`d)

Comparator Municipalities

- Of all the municipalities sampled in Ontario, only 3 currently have an AG and 4 have an Internal Auditor.

Municipality	Auditor Status
Brampton	Auditor General (contracted, as needed)
Hamilton	Internal Auditor
Mississauga	Internal Auditor
Oakville	Internal Auditor
Oshawa	Auditor General (vacant)
Ottawa	Auditor General
Sudbury	Auditor General (vacant)
Toronto	Auditor General & Internal Auditor
Vaughan	Internal Auditor
Windsor	Auditor General (vacant)

Background (Cont`d)

- The Provincial and Federal governments also have an AG.

	Provincial	Federal
Salary	\$219,396.00 (2012)	\$322,900.00
Term	10 years, non-renewable	10 years, non-renewable
Reporting Structure	Legislature	Parliament
Scope of Work	<ul style="list-style-type: none"> • Attest audits of the public accounts and government agencies; • Value-for-money audits; • Special assignments; and • Review of Government advertising 	<ul style="list-style-type: none"> • Financial audits; • Performance audits; and, • Special examinations
Fact Check/Opportunity for Management Response	Yes	Yes



Considerations

Before Markham re-appoints an Auditor General the following considerations should be taken into account:

- Support Staff
- Term of Contract
- Reporting Structure
- Mandate/Scope
- Work Plan
- Opportunity for Management Review
- Management Response
- Performance Metrics
- Hiring Approach (RFP or traditional HR hiring model)

Considerations

	Markham (<i>Previous AG</i>)	Toronto	Ottawa
Staff	No	Yes (26)	Yes (6)
Term of Contract	3 years with option of one year extension	7 years non-renewable	7 years non-renewable
Reporting Structure	General Committee and then to Council	Audit Committee	Audit Committee
Work Plan	<ul style="list-style-type: none"> • AG develops the plan • Approved by Council • Council cannot change/delete items • Add with 2/3 support of Council 	<ul style="list-style-type: none"> • AG develops the plan • Approved by Council through Audit Committee • Council cannot delete items • Add with 2/3 support of Council 	<ul style="list-style-type: none"> • AG develops the plan • Approved by Council • Additions/Deletions made by AG with majority support by Council
Management Review	Yes	Yes	Yes
Management Response	Yes	Yes	Yes
Hiring Process	<ul style="list-style-type: none"> • HR recruitment • Mayor, 2 Councillors and 3 external reps., CAO, Commissioner of Corp. Serv. & Director of HR 	<ul style="list-style-type: none"> • External firm for recruitment • Mayor, Councillors and previous AG conducted interviews 	<ul style="list-style-type: none"> • External firm for recruitment • Mayor and Councillors conducted interview



Considerations

Markham's 2015 Budget for an Auditor General

Item	Budget
Salary	Non-Union Grade 14 (\$171,464)
Total	217,848



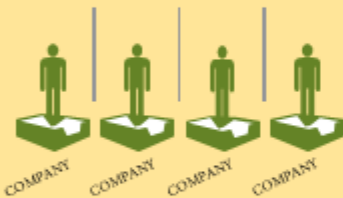
Critical Success Factors

- 1) Actual & Perceived Independence
- 2) Transparency
- 3) Efficiency
- 4) Value for Money
- 5) Quality of Auditing

Hiring Options

IN-HOUSE MODEL

COMPANY



The company would internally staff 100% of their function and resource requirements.

CO-SOURCED MODEL

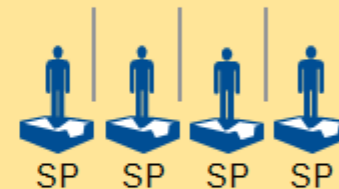
COMPANY



Service provider (SP) would serve as an extension of the company's function, working collaboratively with team members of the in-house department (on a project-by-project basis, as needed).

OUTSOURCED MODEL

COMPANY



In this arrangement, service provider (SP) would perform the audits, providing end-to-end services working closely with, and report to General Committee.

Hiring Options

Option 1: H.R Recruitment

- Workspace
- Higher cost to recruit
- Fixed budget
- City would need to hire support staff
- Direct connection/access to City staff/documents

Option 2: Hybrid

- Cost to recruit firm
- Flexible budget cost
- Lack of direct connection to City staff and documents
- Knowing when to engage the firm can become problematic
- Leveraging the infrastructure of the firm
- Review of invoices to ensure accuracy

Option 3: Hiring a Firm

- Workspace – less overhead costs for office space
- Cost control
- Perception of independence – arms length body may increase credibility
- Appointing a firm will allow the City to leverage their expertise in various areas of auditing, as well as their capacity



Hiring Options

Proposed Timeframe Using Option 3





Discussion

- 1) **Hiring the AG as a contract City employee or an External Firm**
 - Requires decisions on structure of the office, staffing, budget etc.
 - RFP will explicitly state how many audits will need to be completed within each year (e.g., minimum 4 audits).



Staff Recommendation

That an RFP be issued to the market with a request that bidders propose an audit work plan within the budget provided.



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Questions?